Exemption of Textiles from VAT purview

2411. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of TEXTILES be pleased to state:

(a) whether it is a fact that all textile items, which are now excluded from VAT will attract VAT from next year;

(b) whether it is also a fact that some States are opposing to include textile items from VAT's purview;

(c) if so, the details thereof;

(d) the percentage of tax going to be imposed on textile items; and

(e) what the Ministry is doing in this regard to convince the Finance Ministry to exempt textiles from VAT's purview?

THE MINISTER OF TEXTILES (SHRI SHANKERSINH VEGHELA): (a) The levy of "tax on sale or purchase of goods within a State" is a State subject under Entry 54 of List-II (State List) in the Seventh Schedule to the Constitution of India. Accordingly an Empowered Committee of State Finance Ministers (EC) has been constituted to take decisions on all parameters relating to State VAT, including the rates of taxes on various commodities.

(b) and (c) At present certain categories of textile fabrics, which are subject to Additional Excise Duty (AED), by the centre under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, are exempt from levy of sales tax/VAT. The States receive a portion of the revenue of AED collected by the centre as per the formula recommended by the Finance Commission, in lieu of sales tax/VAT on such fabrics. However, AED on these items has been abolished with effect from August 2004. Accordingly the Empowered Committee of State Finance Ministers is designated to take a further decision on imposing VAT on such categories of textile fabrics.

Further certain items like handloom fabrics, khadi garments/made-ups, cotton and silk yarn in hank etc. are exempt from payment of State VAT.

(d) and (e) The Empowered Committee of State Finance Ministers is designated to look into all aspects of levying sales tax/VAT and rates

thereof, on all categories of textiles items. The Committee has not yet given its recommendations in the matter.

Action plan for NTC mills

†2412. SHRI RAJ MOHINDER SINGH MAJITHA:
SHRI RAM JETHMALANI:

Will the Minister of TEXTILES be pleased to state:

(a) whethir it is a fact that a decision has been taken to close down the 65 mills of National Textile Corporation, run 30 mills in joint venture with private sector and modernize 22 mills;

(b) if so, the facts in this regard;

(c) whether Government have formulated any action plan regarding all the said mills; and

(d) if so, the details thereof and by when the said action plan would be implemented finally?

THE MINISTER OF TEXTILES (SHRI SHANKERSINH VAGHELA): (a) to (d) Board for Industrial and Financial Reconstruction (BIFR) approved revival schemes for 8 Subsidiary Corporations in February and July, 2002 and Government of India approved a separate scheme for the 9th Subsidiary Corporation of NTC(TN&P) in 2002. As per these approved schemes 66 unviable mills were to be closed and 53 viable mills to be modernized and revived. The resources required for this are to be met through sale of assets of closed mills and surplus assets of working mills.

Accordingly, NTC has closed down 65 unviable mills under the ID Act, transferred one unviable mill along with one viable mill located in Pondicherry to the State Government of Pondicherry.

The Government of India has now decided to modernize 22 viable mills in the 1st phase by NTC through sale of surplus assets and 29 mills in 2nd phase by seeking private partnership through Joint Venture. Besides this, the land of one mill is proposed to be used for the construction of India International Trade Tower in Mumbai. 1st Phase of modernisation is expected to be completed in 2006-07 depending on the availability of funds from sale of surplus lands.

†Original notice of the question was received in Hindi.